



reporting and monitoring.

¶5. (U) Director of Finance Amita Misra explained that UNIDO was under tremendous pressure from key donors, such as the Global Environment Facility (GEF), to cut its overhead costs from 13 percent to 8 percent, the norm for other UN agencies. The proposed operational budget reduces support costs roughly 3 percent, while increasing technical cooperation delivery by 12.5 percent.

¶6. (U) The recent efficiency gains have allowed UNIDO to devote a larger portion of its budget to its core thematic priorities: poverty reduction, trade capacity building, and energy and environment, which together will get roughly EUR 79 million in the 2010-11 budget, up roughly 4 percent from the previous biennium. The Energy and Environment Program's share of the budget will increase from 14.4 to 16.1 percent, due to increasing demand from member states.

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Paying Arrears Forward  
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¶7. (U) The UNIDO Secretariat, after much effort, has recouped roughly EUR 14 million in "unencumbered balances" (unpaid arrears) from Brazil and Argentina, according to the Chief of Cabinet. The DG proposed reinvesting these funds to streamline business practices and fulfill under-funded mandates, such as agro-industrial reform and promotion of renewable energy in industry, but member states were surprised by the proposal and most withheld their support pending further information. The Secretariat was preparing a separate report on the unencumbered balances including their proposed use, to be distributed in mid-April.

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Staffing Increased  
at Field Offices  
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¶8. (U) The proposed budget foresees a staffing increase from 622 to 633 full-time equivalents. Thirteen new posts will be funded for field offices, a 10 percent increase, while headquarters staff will be reduced by two posts. The Chief of Finance emphasized that the demographic composition of UNIDO's personnel necessitated staff rejuvenation. One-third of UNIDO's staff is over 55 years old (compared to 23 percent in the UN system as a whole) and one-fourth will retire within five years. Many vacated senior professional posts are being split to create multiple junior posts and the Young Professionals Program is enjoying success in recruiting high-quality entry level staff.

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Japan, U.K., and  
Other Members Pleased  
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¶9. (U) Member states welcomed the budget proposal, and many expressed appreciation for the proposed zero real growth in the budget, which probably will prevent a protracted debate over the size of the budget and allow the Program and Budget Committee to focus on improving UNIDO's programs and technical cooperation delivery. The Japanese ambassador called UNIDO a very useful organization and a very effective delivery mechanism for development assistance. He noted in particular UNIDO's performance indicators, which he called among the best in the UN because they were quantifiable and verifiable. The U.K. likewise welcomed the results-based management format of the budget. Austria praised the Director General for anticipating a tighter funding environment, and called for some deference to the Secretariat with regard to the allocation of unencumbered balances, because these funds were secured largely due to the Secretariat's own efforts. Argentina and Mexico called for the unencumbered balances to be devoted to technical cooperation in Latin America, but the Director-General and Japan correctly noted that the arrears belong to the general fund rather than particular states or regions.

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Comment  
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¶10. (U) UNIDO's increasing effectiveness and its improving reputation among UN agencies and member states supports our recommendation (reftel) that the U.S. consider increasing its engagement with the organization, particularly on energy and environment issues. The proposed budget demonstrates UNIDO's responsiveness to member state needs, continues its efforts to improve efficiency, and further consolidates the organization's niche in the provision of poverty reduction, energy, and environment programs in the industrial sector. The pressure of key funders to further cut overhead costs should prompt UNIDO to seek further efficiency gains and enable it to devote larger proportions of its budget to its key thematic priorities in future budgets. End comment.

SCHULTE